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EUROPE AND U. S. WEIGH IMPLICATIONS OF MARSHALL PLAN

IN RESPONSE to a suggestion made by Secretary of State Marshall in his address at Harvard University on June 5, the Foreign Ministers of Britain, France and the Soviet Union met in Paris on June 27 to consider ways and means by which European governments can jointly devise a plan for rebuilding their war-ravaged industry and trade. Faced with a growing dollar shortage, London and Paris had already greeted the American proposal with enthusiasm. But there was much uncertainty as to what could be done. Would Moscow cooperate wholeheartedly in a continental program? Would the American Congress support a new foreign aid program? This second question seemed uppermost in the mind of Mr. Molotov, who told the conference on June 28 that more information should be obtained as to the amount the United States proposed to give and on what terms—a procedure considered inappropriate by Bevin and Bidault. The Soviet Foreign Minister also disappointed his Western colleagues when he expressed opposition to any comprehensive, continent-wide economic program. The ensuing deadlock was not broken when the Ministers met on June 30.

U.S. CAPACITY TO AID RECONSTRUCTION.

Agreement by the governments of Europe on a unified economic program would unquestionably make more effective the efforts of each to promote reconstruction, particularly if the plan provides for expansion of Germany's coal and steel output. But concerted action in Europe is also essential for the important reason that it would at least moderate the opposition of American taxpayers to further large outlays abroad, which must be undertaken to stave off a collapse of world economy.

The risk that an economy-minded Congress may be unwilling to grant additional aid cannot be lightly

dismissed. Signs of increasing opposition are already apparent. To date the United States has advanced nearly \$16 billion for post-war relief and reconstruction. This aid has been piecemeal, without any over-all planning. Moreover, the many complicated factors involved in rebuilding war-shattered economies do not seem to have been always well understood, even by Administration policy-makers. For example, Secretary Marshall admitted on June 5 that too much attention has been given to mere physical damage and not enough to the disrupted machinery of production. Imperceptibly, but steadily, public opinion in this country has been gravitating toward the conclusion that we have either already over-extended ourselves in aiding the needy, or that we shall do so before Europe achieves a viable economy. One cause for this growing skepticism has been the steady rise in the cost of living here. But given the critical economic situation in Britain, France and elsewhere, the undeniable impact of foreign aid on our domestic economy ought not become an issue in American politics. On June 13 Senator Vandenberg, Republican leader on foreign policy, issued a statement proposing a bipartisan advisory council to assess American resources for foreign aid. Additional evidence that the matter is of increasing concern to Republican members of Congress was given two days later in the release of a letter which Herbert Hoover had addressed on June 15 to Senator Bridges, chairman of the Senate Committee on Appropriations. The former President contended that we were over-exporting our resources, and may find it necessary to "limit purchases of our commodities by limiting gifts and loans."

TRUMAN IMPLEMENTS MARSHALL OFFER.

At a press conference on June 18, Under-Secretary

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of State William L. Clayton endorsed the Vandenberg proposal. For the Administration a bipartisan board has obvious advantages, since it permits a systematic approach to the problem of underwriting the new foreign aid policy, and at the same time is likely to strengthen public support for such measures as may be proposed. On June 22 President Truman issued a statement announcing the creation not of one group, as recommended by Vandenberg, but of three committees to study the relationship of this country's foreign aid to the domestic economy. He appointed two government groups, one headed by Secretary of the Interior Julius A. Krug to study the state of our natural resources, and the other consisting of members of the President's Council of Economic Advisers to ascertain the impact of foreign aid on our economy. For advice on "the character and quantities of United States resources available" as exports, the President appointed a third committee, headed by Secretary of Commerce W. Averell Harriman and composed of nineteen prominent citizens chosen regardless of political affiliations.

These committees can do a great deal to develop support for a sound foreign economic policy, which is necessary if we are to promote a rapid recovery of production in Europe and thereby aid the cause of liberalism. Diplomatic notes to the countries of Eastern Europe asking free and open elections

will not suffice unless we ourselves are prepared to practice the rules of the free enterprise economy we support and urge other nations to develop. This we have not done on an adequate scale. For example, the law for stockpiling of critical raw materials requires that purchases be made on a "Buy American" basis. Similarly, we fail to apply the standards of free enterprise in our loan policy which stipulates that the borrowed funds shall be spent on American goods, shipped in American vessels, and insured by American firms. This same nationalistic approach was also responsible for a bill, vetoed by the President on June 26, which authorized the imposition of import quotas and fees on wool, a commodity produced abroad much more cheaply than here. These practices betoken a fear psychology — fear of imports that add to our stock of wealth. This fear is not easily reconciled with the current alarm that, by spending some \$16 billion to save the peace—won at a cost to us of over \$300 billion—we are thereby being impoverished. To promote our national interests most effectively, and to build the kind of peace for which we fought, it may well be that we shall have to share our wealth by a system of voluntary rationing. Unless the rest of the world becomes a little richer, the American people can not remain prosperous.

HAROLD H. HUTCHESON

NANKING STRESSES FRICTION WITH RUSSIA IN SEEKING U.S. AID

Recent actions of the United States indicate that critical decisions on China policy will have to be made in the months ahead. During the period of almost two years since Japan agreed to surrender, the United States has given extensive support to the government of Generalissimo Chiang Kai-shek in the civil war with the Chinese Communists. Today, despite this assistance, Nanking's military, economic and political position shows progressive deterioration. In Manchuria and North China the Kuomintang armies are hard pressed as never before in two decades of conflict with the Communists. In Shanghai the Chinese dollar is hovering uncertainly in the neighborhood of 50,000 to 1 United States dollar, as compared with a black market exchange rate of roughly 2,500 to 1 just a year ago. Throughout the country Nanking's prestige has been sinking steadily under the impact of military setbacks, inflation, and widespread suppression of dissatisfied, non-Communist elements in its own territory. It is under these circumstances that the United States faces a choice between making still another effort to bring victory to the Chinese government or withholding large-scale assistance on the ground that the civil war must end before American aid can be used effectively.

SOME ARMS FOR NANKING — NO LOANS YET. The trend of American actions in recent days

is significant, but not conclusive. On June 27 the State Department announced that 130,000,000 rounds of small ammunition—manufactured here for China during the war, but never delivered because of transport difficulties—had been sold to the Chinese government at one-tenth the procurement cost of \$6,566,589. This is not the first time such aid has been extended (previous military deliveries, however, were made under post-war lend-lease, not by sale), but it represents the sharpest break so far with the hitherto prevailing official theory that American policy in China is essentially one of neutrality and that aid to Nanking is conditional on Chinese progress toward peace and reform. On the other hand, the amount of ammunition involved, while useful to the government forces, is too small to have a significant effect on the civil war. The main question is whether this is an isolated action or whether it foreshadows more extensive military aid.

On the financial front Chinese representatives have been pressing for far-reaching assistance. Secretary Marshall indicated, however, on June 25, that the \$500,000,000 credit earmarked for China by the Export-Import Bank would be allowed to expire. On June 27 the Export-Import Bank clarified its position by announcing that it would be willing to consider loans for specific Chinese projects,

despite removal of the earmarking on the \$500,000,000 credit. Yet at the same time the Bank stated that it would bring to an end its program of "large emergency reconstruction credits" and return to its "primary objective of financing and facilitating specific American exports and imports." This appeared to cut down the sums, if any, that Nanking might receive from the Bank, but would not, of course, exclude American loans through other channels—for example, by decision of Congress. At the moment China's loan prospects seem poor, but the attitude of some high administration circles was probably indicated by the Secretary of State, when he declared on June 25 that the general question of a loan was under daily discussion.

CHINESE POLITICAL STRATEGY. Meanwhile, Chinese officials have been issuing a series of statements, designed partly to secure American support for Nanking. One of the frankest was made by Chen Chi-tien, Minister of Economic Affairs; in an interview on June 26. Urging a United States loan of two to three billion dollars (half for arms, ammunition, etc. and half for economic projects); the Chinese cabinet member declared that since the United States, as "a democratic country," might not be able to give military aid directly and openly, it should "get around public opinion" by giving the money instead. This approach to American policy reflects the well-known belief of Chinese officials that, because of current differences between the United States and the U.S.S.R., Washington must support Nanking to the end, regardless of American reservations about the character or effectiveness of the Chinese government.

This belief also plays a key part in Nanking's current emphasis on differences with the U.S.S.R., as contrasted with a previous Chinese government policy of placing only limited public stress on Chinese-Soviet issues. In addition to the handling of the Sinkiang-Outer Mongolia border dispute with an eye to American opinion,* recent weeks have seen statements by Chen Cheng, Nanking's chief of staff, Sun Fo, Vice-President of the Central government and other officials, charging Russia with aiding the Chinese Communists.

*See *Foreign Policy Bulletin*, June 20, 1947, p. 2.

SPANISH PLEBISCITE DESIGNED TO PERPETUATE FRANCO

On July 6 a plebiscite will be held in Spain, ostensibly to decide whether Spain shall have a monarchical form of government, but actually to confirm Generalissimo Francisco Franco's dictatorial powers. The Caudillo's decision to submit the question of succession to the Spanish people, announced on June 9, is one of the most skillful and cynical moves of his political career. Once again he has used the divisive tactic which is the hallmark of his government to confound his enemies inside and outside

RUSSIA'S ROLE IN CHINA. American correspondents in China have viewed reports of Russian aid to the Communists with skepticism, expressing the same opinion as did Secretary Marshall last January 11, when he declared that he knew of no evidence that the Chinese Communists were being supported by Russia. While Chinese charges of Russian aid remain unconfirmed, differences between China and Russia over the south Manchurian port of Dairen and the Port Arthur naval base may have greater international significance. Under the Chinese-Soviet pact of August 14, 1945 Dairen is to be a free port controlled by a Chinese administration, while defense of the Port Arthur naval zone is entrusted to the U.S.S.R. According to a communique issued by the Chinese Ministry of Foreign Affairs on June 25, the Soviet government, while expressing willingness to admit Central administrative personnel into Dairen and Port Arthur, refuses to allow Nanking troops to enter.

The debate had been couched in legal terms, but the legal aspect is only incidental to a situation in which both governments distrust each other intensely. It should be noted that at this moment the entire treaty of August 1945 is inoperative, with the Russians, in effect, excluding the government from Port Arthur and Dairen, and the government, in effect, excluding the Russians from their joint share in the management of certain Manchurian railways.

Nanking holds that its Manchurian difficulties arise largely from Russian actions. But foreign observers, while recognizing obstacles interposed by the Russians, report that Nanking's weakness in the Northeast arises chiefly from its lack of capable generals, the deteriorating morale of its troops, popular dissatisfaction with the "carpetbagging" tendencies of some government officials in Manchuria, lack of supplies and men, and the growing awareness of the local population that, while the great bulk of the Communist troops come from Manchuria itself, Nanking's soldiers are mostly from provinces south of the Great Wall. These factors are important because they suggest that no outside government can solve Nanking's civil war problems.

LAWRENCE K. ROSINGER

the country. If the voting goes according to form on July 6, Franco will be better able to support Spain's claim to membership in the UN and related international agencies on the ground that his regime enjoys popular support. At one stroke, moreover, he has both fanned monarchist hopes and assured the Falangists, foes of the monarchy, that the prospects of a restoration are remote as long as Franco lives.

FRANCO FOR LIFE? On July 17, 1945, just before the Spanish problem was debated at Potsdam,

the Generalissimo announced his ultimate intention of restoring "the traditional Spanish system." Since that time he has alternately raised and dashed the hopes of monarchists and of those Spaniards who, although republican sympathizers, believe that only the restoration can guarantee a peaceful transition to constitutional government. In January 1946 Don Juan the Pretender moved from Lausanne to Lisbon. Monarchist groups were given opportunities to meet and demonstrate. In early 1947 the monarchists gained noteworthy strength. Conversations regarding a restoration were said to be going on between the Llopi's government-in-exile, some of the republican groups it represents, and the supporters of Don Juan. But the Law of Succession, announced on March 31 and approved in revised form by the Cortes (Franco's rubber stamp Parliament) on June 7, would make the restoration subject to conditions which are unacceptable to the legitimists. This time Don Juan left no room for compromise when, in a statement of April 7, he flatly rejected the Franco proposal.

In a pastoral letter made public on June 14, Enrique Cardinal Pla y Daniel, archbishop of Toledo, described the Law of Succession as the "constitution of a regime." The new law provides that "Spain is a Catholic, social and representative state which, in accordance with its tradition, is a Kingdom." Franco is Chief of State for an indefinite period. Upon his death or incapacitation, a Regency Council would assume power in his name and choose his successor. This council would be composed of the president of the Cortes, the ranking prelate in the Council of the Realm (an advisory body to be concurrently created), and the commander-in-chief of the armed forces or, in his stead, the senior Lieutenant General in active service. Franco himself, however, may at any time designate the individual who as King or Regent is to succeed him.

His successor must be "of royal descent," Spanish, Catholic, and must swear allegiance to the basic laws of the state as well as to the principles which govern the "national movement," that is, the Falange. These conditions have further divided the legitimist mon-

archists who support Don Juan and those monarchists who, like Esteban Bilbao, President of the Cortes, collaborate with Franco. By loosely defining the pedigree the royal claimant must possess, the Law of Succession provides fertile soil for more of those dynastic quarrels that beset Spain during the last century.

CONDITIONS OF PLEBISCITE: The plebiscite, a travesty of the referendum to determine the form of the Spanish government which opposition forces have long demanded, will be the first election in eleven years. It will pose a simple "yes" or "no" decision on the law as a whole. No provisions have been made for public discussion of the issues involved. All Spaniards over 21, regardless of sex, marital status or profession, have the "right and obligation" to vote—if they have not lost their full political rights. This would bar from the polls all those who have ever been convicted of a political offense. It is impossible to estimate how many republican sympathizers, who since the Civil War have passed a term in prison and have been set at "conditional liberty" (*libertad vigilada*), are thus disqualified. Opposition sources place the number of such persons at 1,750,000; a pro-Franco source sets the total at 300,000.

In Madrid it is rumored that the returns will be fixed to show that 70 to 75 per cent of the ballots cast approve the law. Whether Franco gains his point by intimidation, fraud, or because his opponents abstain from voting, there is no doubt of the outcome.

This calculated display of political strength points to the fact that the Franco government is desperately looking for friends abroad. For lack of sufficient foreign exchange, especially dollars, the entire Spanish economy is running down. The impending crisis has been ward off by prospects of a bumper harvest, the acquisition of a British credit to stabilize the peseta, and the negotiation in October, 1946 of a revolving credit of 350 million Argentine pesos and a loan of 400 million Argentine pesos for the purchase of Argentine wheat. The 18-day tour recently made by Señora Eva Perón, wife of the Argentine President, was intended to underscore the political and economic affinity of the two nations. All the pomp and circumstance of her visit, however, could not disguise the fact that Spain cannot replace the United States with Argentina or Italy as sources of oil and machinery. Generalissimo Franco conceivably believes that the results of the plebiscite may facilitate the negotiation of a United States credit to end the dollar crisis.

OLIVE HOLMES

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